Performance-Informed Managing and Budgeting for Federal Agencies: An Update

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Summary

This paper briefly examines significant aspects of the current U.S. performance-informed managing and budgeting context[1], highlighting the statutory base – the Government Performance and Results Act of 1993 (GPRA) – and the Bush Administration's President's Management Agenda (PMA) and Program Assessment Rating Tool (PART). PMA and PART link the results focus to high stakes decision-making, thus opening the door to real impact for GPRA's concepts.

The paper first locates today's initiatives in historical context, then summarizes features of each initiative, and identifies current issues in implementation. It closes with consideration of reasons why the combination of statutory base, administration commitment, and implementation strategy combine to offer a greater chance than predecessor initiatives enjoyed to lead to significant lasting changes in the institutional processes of decision-making.

Developments leading up to GPRA, PMA, and PART

The modern interest in the increased use of performance data to inform government management and budgeting decision-making arguably began in earnest in the U.S. with the Hoover Commission's recommendation of a "performance budget" in 1949. It is featured in reforms around the world in the last quarter of the 20th century, with New Zealand, Australia, and Great Britain among the leaders.[2]

It is the basis for results-based budgeting and management reform initiatives in nearly every U.S. administration since 1950, including most prominently, President Johnson's Program, Planning, and Budgeting System (PPBS), President Nixon's Management By Objectives (MBO), President Carter's Zero-Based Budgeting (ZBB), and in related ways, President Reagan's Grace Commission and President Clinton's National Performance Review (NPR).

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[1] This paper uses the term "performance-informed" managing and budgeting, as opposed to the more common "performance-based" term. For practitioners, performance-informed is the accurate term. Actual decision-making routinely and properly combines performance information with such other elements as policy preference, politics, and resource constraints. The term "performance-informed" has been put into use by Professor Philip Joyce of the George Washington University Department of Public Administration.
[2] For a concise survey of the international movement see "The Global Public Management Revolution" by Professor Donald Kettl of the University of Wisconsin.

In part because of implementation flaws and in part because of the U.S. tradition that succeeding administrations discard their predecessor's initiatives to put their own stamp on a government management reform initiative, none of these approaches became fully institutionalized in the Executive Branch. Despite the frequent changes in approach and the appearance of lack of consistent direction – Prof. Kettl calls the U.S. "an inveterate reformer" – each of these initiatives built on the efforts of its predecessors and all shared and gave continuing emphasis to similar themes, including:

- structured setting of goals and performance measures
- incorporating results information into the management and budget decision-making processes
- demonstrating to the public how results data inform decisions
- improving the quality of government performance
- raising public trust in government

Moreover, it is important to keep in mind that every person at any level involved in management or budget decision-making uses, and has always used, some kind of performance information. The data may not be good or timely; the use may not be systematic; and the data selected for use may not best support a focus on results (e.g., counts of process steps rather than assessment of program impact through rigorous evaluation). But whatever the approach, some kind of performance data are in some kind of use at all times.

Therefore, the notion of "performance-informed budgeting and management" really means making the performance data used more likely to support decisions that improve results, making the use systematic and pervasive across all types of government activity, and to the extent possible, making the results data more public, so that observers may better appreciate the basis for decisions. That is the animating core of GPRA and all of its executive branch predecessors, and it is the basis for the Bush Administration's Budget and Performance Integration initiative in the PMA, and its development and use of the Program Assessment Rating Tool.

The Government Performance and Results Act of 1993

GPRA is the first generally applicable statutory expression of interest in performance-informed managing and budgeting since the Budget and Accounting Act of 1921. That act formalized the process of a government-wide President's budget submission and created the Bureau of the Budget (now the Office of Management and Budget) and the General Accounting Office. Hopes for implementation were expressed this way by General H.M. Lord, Director of the Bureau of the Budget:

> "It must be remembered that the [Act] is not in itself a magic wand that will wave out all the faulty procedures and beckon in the financial millennium. Habits, customs, regulations, laws that the passage of more than a hundred years has built into the very machinery of government cannot be eradicated overnight… it must

be a continuing process that will require years of patient, persistent and courageous endeavor."

In light of how many "new" approaches were developed in the succeeding decades, note particularly Director Lord's prescient recognition that fundamental changes in process would take years to achieve.

GPRA was primarily a congressional initiative, assisted by a few staff level individuals from the administration and some outside consultants. It originated in the committees dealing with government process, what are now the Senate Committee on Governmental Affairs and the House Committee on Government Reform.

GPRA passed on the floor of the Senate by "unanimous consent" – with only two senators present. Significantly, and despite the fact that GPRA came from committees of Congress, there was no material support in either house from the committees with real decision-making power over program management and budgeting: the committees for appropriations, authorization (especially including those authorizing mandatory spending[3]) or tax expenditures.

Nevertheless, GPRA did establish in law three critical components of performance-informed managing and budgeting:

1. A simplified, permanent (unless later repealed) government-wide structure for the expression of agency five-year and annual goals and performance objectives.
2. The requirement to consult on those goals and objectives with Congress.
3. An annual public report on performance against goals and objectives with explanations of progress and problems.

As with the Budget and Accounting Act, GPRA's authors determined that its processes of goal and objective setting, and performance data collection and reporting, required a multi-year implementation period. The first of the annual public performance reports, for example, were only required to begin in 2000, seven years after enactment. This is in sharp contrast to each of the predecessor executive branch initiatives which were rushed to implementation so that they would be effective during the administration that spawned them.

GPRA by itself has had virtually no consistent impact on the actual processes of decision-making for the President's Budget, internal agency managing and budgeting decisions, or congressional decisions. OMB did promulgate procedural directives but did

[3] Mandatory spending programs are those whose funds are not routinely subject to the annual appropriations process, such as social security benefits, student loan subsidies, and unemployment insurance benefits. Such programs are often materially changed by annual legislation, frequently contained in appropriations acts, to modify benefits or eligibility. But in the main, spending for mandatory programs occurs without regard to the kind of limitations or congressional review imposed on annually appropriated programs.

not call for the incorporation of essential spending data into plans and reports, or link GPRA efforts to the decision-making processes. Some believe this lack of linkage was intended to ensure that GPRA processes did not become more important than the budget process.

GPRA did, however, lead to creation or augmentation in agencies of "planning" staffs which undertook the often quite difficult processes of developing 5-year strategic and annual plans, performance objectives, performance measures, and performance reporting systems. In some agencies those staffs were isolated from the high stakes decision-making processes, not connected to the budget office, the finance office, or the program managers. In other agencies they were participants in some ways, but rarely did the GPRA plans and performance reports have a major influence on agency decisions.

Perhaps the hardest task for GPRA implementation in most agencies has been the identification of the critical results-focused measures of performance and the acquisition of timely data on those measures. (There is some hope that IT improvements will help the timeliness aspect.)

Performance measures can be particularly hard to devise for agency programs that do not deliver direct services or build tangible things or which only finance a part of a larger activity. One reason why state and local governments often do better at expressing the linkage between performance and high stakes decisions is that much of what they do is deliver direct service, for which one can more often develop agreement on and acquire timely data to link to short term (annual) resource allocation decisions.

Social Security, a mainly direct service agency, is a perennial favorite of the GPRA community for the manner in which it can connect administrative performance, including cost, to administrative results. SSA does not do the same for the tougher problem of measuring and responding to its impact on the financial well-being of the elderly and disabled, but that is due more to its traditions than capability.

Of the many non-government groups providing support and encouragement for performance-informed management and budgeting, two stand out:

- The National Academy of Public Administration, which has organized many agencies into a Performance Consortium where GPRA staffs can share ideas and learn how others deal with barriers to success.
- The Mercatus Center at George Mason University, which annually publishes ratings of certain aspects of the annual GPRA performance reports, putting pressure on agencies to improve the quality of their reports.

Finally, it is essential to appreciate the difference between what GPRA can do and what a theorist of performance-informed budgeting might want. While intended to be heavily informed by data on performance, GPRA plans and reports are, just like the President's budget, political statements by an incumbent administration. They must be influenced by the other elements of decision-making identified earlier: policy preference, politics, and resource constraints. Still, they lay the base that makes possible success on the budget and performance Integration element of the President's Management Agenda.[4]

The President's Management Agenda

In the summer of 2000, the administration promulgated the President's Management Agenda, a remarkable expression of an administration's goals for significant improvement in several important aspects of government. Along with establishing some high visibility focus on problems common only to a few agencies, the PMA seeks improvement in all agencies on five elements:

- Strategic management of human capital
- Competitive sourcing
- Improved electronic government
- Improved financial management
- Budget and performance integration

The administration articulated standards for success and markers for failure in each element, and publishes a scorecard semi-annually so that the public and Congress can see its assessment of how well each agency is progressing. The scorecard measures both current status and the quality of the plan to achieve success, providing a summary grade for each with a red (failure), yellow (some progress), or a green (success) indicator. More detailed indicators for success and failure were identified initially and in the spring of 2003 are being joined by such standards for progress.

The scorecard is a simplified tool glossing over much important detail, but it is serving the key purpose of getting agency attention and focus on improvement. Agency leaders do not relish appearing before their peers, before oversight or appropriations committees, before their constituent groups, or in the media, with low grades and little progress to report. This seems so even though only a few in Congress yet pay much attention to the grades.

And, of course, all leaders want to perform well and to lead successful organizations, so the grades can provide external validation of their agencies' efforts and incentives to their staff.

There were two important flaws in the initial promulgation of PMA, which the administration is beginning to address.

[4] While not covered specifically in this paper, credit must also be given to a variety of other management statutes, each of which has also laid the base for success in other PMA elements. These include among others, the Chief Financial Officers Act, the Clinger-Cohen Act, federal personnel provisions in the act creating the Department of Homeland Security, and recent laws enhancing focus on development of high quality e-government tools and strategies. Any successful agency-wide integrated management strategy requires that the agency be successful on all the elements of the PMA. That potential for success has been enabled by passage of these laws over the last 15 years.

- It did not make the primary focus of the effort successful achievement of agency mission and goals vs. success on the processes needed for the individual elements.
- It did not highlight the importance of connecting the elements into coherent agency-wide management strategies, again linked to achieving mission and goals.

The critical implementation strategy that distinguishes the PMA is the use to a far greater extent than in past administrations, of the OMB Resource Management Offices (RMOs or budget divisions) to work through the issues in detail with each agency. For the PMA elements other than budget and performance integration, the work of the RMOs is led and supported by OMB's Offices of Federal Financial Management, Procurement Policy, and E-government, and by the independent Office of Personnel Management. The close engagement of the RMOs however, means that agencies address all PMA issues with the same analysts with whom they address high stakes budget and policy issues. This gives more weight to the management agenda than similar efforts had in prior administrations.

Here is the key quote on budget and performance integration from President Bush (issued when he was Governor of Texas) in the PMA:

> "Government should be results-oriented – guided not by process but guided by performance. There comes a time when every program must be judged either a success or a failure. Where we find success, we should repeat it, share it, and make it he standard. And where we find failure we must call it by its name. Government action that fails in its purpose must be reformed or ended."

Note the last phrase: "reformed <u>or</u> ended." Many opponents of greater use of data showing poor performance still fear that the primary use will be to end programs, rather than to use the information to guide management improvements. As noted above, performance data by itself can rarely drive a decision. Among the usual choices are:

- Increase spending for a program whose performance to date is positive.
- Maintain or increase spending for a program whose performance is not good but whose purpose remains important and use the data to improve the program, through better management or legislative change.
- Maintain, reduce or eliminate spending for a program with good performance data because as a policy matter, decision-makers (administration or congress) do not believe it should be a federal activity or the resources are needed for higher priority purposes.
- Reduce or eliminate spending for a program with poor performance and low prospect of improvement.

Regardless of the decision, greater use of performance data makes the decision-making process more likely to result in good use of taxpayer's money and makes the final decision more defensible to the public.

As in GPRA, the Bush administration quite properly did not attempt to force all agencies into a rigid decision-making framework, recognizing the enormous variation in activities. It also took a second cue from GPRA and did not try to implement systematic assessments of all programs in the first year. Systematic assessments began in earnest with the development of PART.

The Program Assessment Rating Tool

The FY 2003 Budget subjected a handful of programs to a more systematic assessment of effectiveness as a pilot effort. The FY 2004 Budget began to feature the use of PART for this purpose and made summaries of the results of PART assessments public in a separate volume of the President's Budget, with details available on the internet.

The terms "systematic" and "public" are key. As noted above, all budget and management decision-makers in the Executive Branch and Congress always use some kind of performance data as an input to their decisions. PART starts the Executive Branch down the path of making its use systematic and public – and pervasive.

In mid calendar year 2002, OMB announced the development of the PART assessment process as the vehicle for assembling data on program effectiveness in a systematic manner. PART assessments would be applied to the entire budget, in increments of 20% each year, beginning with the FY 2004 Budget (released in February 2003).

PART is actually seven questionnaires though with many common elements, differentiated at the margin by type of program: competitive grants, block/formula grants, regulatory programs, capital assets and service acquisition programs, credit programs, R&D programs, and direct federal programs.

Among the PART questions common to all seven are:

- Is the program designed so that it is not redundant or duplicative of any other federal state, local, or private effort?
- Does the program have specific long-term and annual performance measures that focus on outcomes that meaningfully reflect program purpose?
- Are independent evaluations conducted on a regular basis?
- Does the agency regularly collect timely and credible performance information and use it to manage and improve performance?
- Does the program use strong financial management practices?
- Has the program taken meaningful steps to address management deficiencies?
- Has the program demonstrated adequate progress toward meeting long term goals?
- Does the program achieve annual goals?

There aren't very many questions but they can take a very long time to answer properly. PART assessments result in numerical scores. In FY 2004, about half the programs assessed could not offer valid data on results.

To ensure some openness to the process, OMB exposed its pilot efforts to outside experts from the National Academy of Public Administration and the Council for Excellence in Government, created an outside advisory committee chaired by a former Clinton Administration Deputy Secretary, and created an advisory body of agency experts.

Agencies participated in varying degrees in the selection of programs to which PART would be applied for FY 2004, and aided in use of the PART assessment by OMB for the FY 2004 budget. They are doing both to a much greater and more consistent degree for the FY 2005 budget.

So far, there has not been very much overt congressional interest in PART assessments, and some interest groups continue to fear public access to performance information. PART's evolving development and overt use in decision-making in the President's budget, and its public accessibility, are drawing mainly positive reviews from organizations whose primary interest is improved government management. A number of agencies are reportedly committed to using the PART tool for the internal analyses that build toward their submissions to OMB for the President's budget, for internal management guidance, and for input to legislative proposals.

Prospects for the future

The combination of a permanent statutory base and an aggressive, patient, high visibility focus by the current administration suggest the possibility that the current GPRA/PMA/PART approach to management improvement could achieve levels of success well beyond any of their predecessor efforts.

Success is defined as fundamentally changing the processes of government management and budgeting to reflect a clearer focus on achievement of mission and goals and an integrated agency-wide management strategy that works.

To get there requires a vast amount of continuing concentration and hard work in each agency at all levels, intelligent persistent leadership from the White House, OMB and OPM, and more creative approaches to the effective integration of implementation strategies across the five PMA elements. Success would also be more likely if there were more overt responses in Congress to the initiatives.

Of course, continued high impact success in the Executive Branch also turns on continued demonstrated use of performance data to inform decision-making not only in budgets but in management choices and legislative proposals. To achieve that requires consistent continuing focus by OMB, through its budget divisions and statutory offices, and by OPM.

Further, even given the likelihood that the next administration will feel the need to put some accent of its own on the processes, success also has to mean institutionalization of key elements which outlast the current administration and the current leaders. Already as is usual toward the end of a presidential term, one key player is leaving, OMB Director Daniels, a number of senior appointees are on their way out or to different jobs, and the extent to which the PMA has been accepted by the people who really matter for continuity, the senior career executives and the rank and file, remains open to question.

Only time will tell if GPRA+PMA+PART will equal long term institutional change.